TORONTO

2012 OPERATING BUDGET CORPORATE REPORT

The 2012 Council Approved Tax and Rate Supported Operating Budget gross expenditures total $10.702 billion as illustrated in Table 1 below. The Tax Supported Operating Budget is $9.390 billion which is 88 per cent of total expenditures, while the Rate Supported Programs comprises the remaining $1.312 billion or 12 per cent of the Operating Budget.

Rate Supported Programs consist of Toronto Water Services, Solid Waste Management Services and Toronto Parking Authority.

Table 1
2012 Council Approved Operating Budget
Tax andRate Supported Programs

$ Million	2011		2012		Change from 2011			
	Gross	Net	Gross	Net	Gross	%	Net	%
Tax Supported								
Citizen Centred Services "A"	3,430.1	993.1	3,312.4	960.3	(117.7)	(3.4%)	(32.8)	(3.3%)
Citizen Centred Services "B"	901.9	578.9	927.4	604.4	25.6	2.8%	25.4	4.4%
Internal Services	411.2	161.2	410.4	151.1	(0.8)	(0.2%)	(10.1)	(6.3%)
Other City Programs	163.4	115.0	160.8	110.3	(2.7)	(1.6%)	(4.8)	(4.1%)
Total City Operations	**4,906.6**	**1,848.2**	**4,811.0**	**1,826.0**	**(95.6)**	**(1.9%)**	**(22.2)**	**(1.2%)**
Agencies	3,145.9	1,693.8	3,159.3	1,635.6	13.4	0.4%	(58.2)	(3.4%)
Corporate Accounts	1,356.5	37.5	1,419.7	225.0	63.1	4.7%	187.5	500.5%
Total Tax Supported	**9,409.1**	**3,579.4**	**9,390.0**	**3,686.6**	**(19.1)**	**(0.2%)**	**107.1**	**3.0%**
Rate Supported								
Solid Waste Management Services	342.6	0.0	345.9	(0.0)	3.2	0.9%	(0.0)	n/a%
Toronto Parking Authority	70.9	(56.4)	72.3	(56.4)	1.4	2.0%	0.0	0.0%
Toronto Water	821.0	0.0	893.3	0.0	72.4	8.8%	0.0	n/a%
Total Rate Supported	**1,234.5**	**(56.4)**	**1,311.5**	**(56.4)**	**77.0**	**6.2%**	**(0.0)**	**0.0%**

On November 29, 2011 City Council approved the City of Toronto 2012 Rate Supported Operating Budget and on January 17, 2012 City Council approved City of Toronto's Tax Levy Operating Budgets totalling $10.702 billion.

The City of Toronto faced difficult decisions in preparing the 2012 Tax Supported Operating Budget to eliminate the opening operating pressure of $774 million, reduce its reliance on one-time revenues, bring spending back in line with revenue growth, and moderate capital financing pressures.

Budget directions given by the City Manager and the Deputy City Manager and Chief Financial Officer included a Core Service Review of all services delivered to examine what services the City should and should not be delivering, Service Efficiency Studies to ensure City services are delivered in the most efficient and cost-effective manner, and a User Fee Review to ensure existing fees are fair and properly consider the full cost of providing their services. These initiatives have been incorporated into the 2012 Budget process and have contributed to meeting a 10% net budget reduction target.

The 2012 Operating budget is $9.390 billion, resulting in a $19.1 million or 0.2% decrease in gross expenditures – the first decline in gross expenditures since amalgamation. Major advancements were made in achieving fiscal sustainability by reducing the reliance on one-time revenues and gross expenditures. Revenue sources are maximized and in accordance with expenditure growth and capital financing costs have been moderated through the monetization of City assets and lower interest rates. Furthermore, the Operating Budget includes a 10 cent TTC fare increase and a 2.5% residential and 0.83% non-residential property tax increase in line with inflation.

Financial Impact

How the 2012 Operating Budget was Balanced

The City's Operating Budget Outlook for 2012 indicated a budget pressure of $774 million, of which $360 million or 47% was due to the use of one-time / unsustainable revenues used to balance the 2011 budget (see Table 2 below). The cost of maintaining services at the 2011 approved service levels for cost of living and non-payroll inflation adjusted expenditures represents 24% of the 2012 budget pressure, totalling $188 million. In addition, $226 million or 29% of the 2012 pressure would be required primarily to fund City liabilities and the impacts of the City's capital works program.

To address the budget pressure and help move the City towards achieving fiscal sustainability, the City reduced spending through efficiencies and service level adjustments; maximized revenue sources; maximized the impact of capital financing; and introduced moderate tax and TTC fare increases. The Service Review Program was a key initiative, which helped the City address its financial challenges, and set the foundation for services and service levels, and established the basis for multi-year service and financial planning. Further information on the Service Review Program, 2012 Budget Process and Multi-Year Financial Planning Process can be found on page 11 of this report and at: http://www.toronto.ca/legdocs/mmis/2011/ex/bgrd/backgroundfile-36612.pdf. In addition, an update is provided in a separate report from the City Manager that is also before the Budget Committee for consideration.

City costs have been reduced by $346 million. This was achieved by realizing cost savings of $271 million in base budget expenditure reductions, and the implementation of service efficiencies. Additionally, $75 million in savings will be achieved from service changes. The sizeable cost savings to be generated from base and service efficiencies have limited service impacts, enabling the City to maintain the core services that residents depend upon.

The recommended cost savings will also reduce the City's staff complement. Approval of the 2012 Tax Supported Operating Budget will result in the deletion of 1,539.5 positions (total savings of $110.934 million gross and $60.005 million net), partially offset by an addition of 328.4 positions (total cost of $18.812 million gross and $6.715 million net) primarily to accommodate increased TTC ridership growth; an increased Ontario Works caseload; and Parks, Forestry and Recreation's additional staff to operate new facilities for completed capital projects. As a result, the City's staff complement will be reduced by a net 1,539.5 positions or 3.3%. The net decrease is primarily attributed to Transportation Services; TTC; Parks, Forestry and Recreation; and Toronto Public Library. Further details regarding the 2012 Approved Positions can be found in the 2012 Approved Position section of this report

Budget pressures resulting from one-time, previous year's surplus revenues to fund the Operating Budget was reduced from $346 million in 2011 to $102 million or 70% in 2012, resulting in the City making significant advances towards fiscal sustainability.

The 2012 Operating Budget is balanced by utilizing $102 million from the prior year surplus; and sustainable revenues of $345 million, primarily attributed to economic growth generating $164 million, a 10 cent TTC fare increase which will provide $30 million in transit revenue, and a modest 2.5% residential and 0.83% non-residential property tax increase in line with inflation that will contribute $57 million.

Table 2
2012 Balancing Strategies

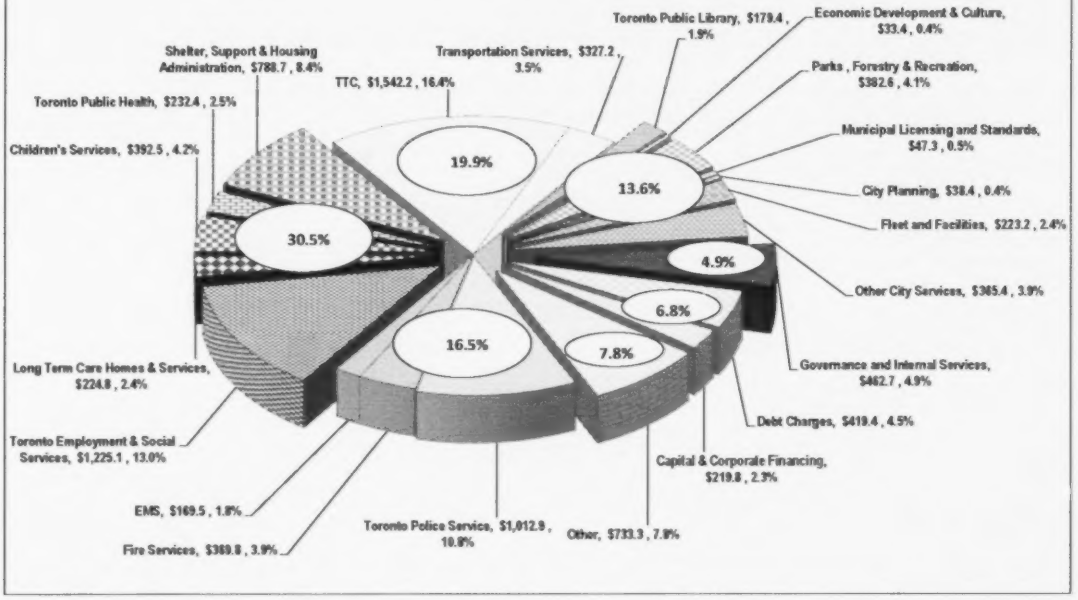
	$Millions	
2012 Budget Pressure:		
2011 One Time Funding		**360**
Plus 2012 Expenditure Changes:		
Cost of Living	138	
Materials, Supplies and Services	50	**188**
Finge Benefit Liabilities - Contribution Requirements	78	
Operating Impact of Completed Captial Projects	16	
Capital Financing	55	
Contribution to Reserve - Liabilities	10	
Other Base Change	67	**226**
2012 Budget Pressure		**774**
2012 Balancing Strategy:		
Cost Reductions:		
Base Budget Adjustments and Efficiencies	(267)	
Service Adjustments	(60)	**(327)**
Revenue Increases:		
Economic Growth	(164)	
Other Revenues	(94)	
TTC Fare Increase - 10 Cents	(30)	
2.5% Property Tax Increase	(57)	
Application of Tax Stabilization Reserve	(102)	**(447)**
Total Balancing Strategies		**(774)**
		0

2012 Operating Budget Summary

The 2012 Operating Budget for the Tax Supported Program is $9.390 billion, which reflects a decrease of $19.102 million or 0.2% over the 2011 Approved Operating Budget of $9.409 billion and a decline in the City's gross budget expenditures for the first time since amalgamation. This decrease is the result of the Service Review Program and budgeting strategies implemented for the 2012 Budget process. The 2012 Net Operating Budget (or Property Tax Supported Budget) is $3.687 billion, representing a $107.117 million or 3.0% increase over 2011 due to the significantly reduced use of one-time revenues in 2012.

Chart 1 below shows that approximately two thirds of the 2012 Operating (Gross) Expenditure Budget of $9.390 billion will be spent on services that the City has either no direct control over or that have significant service implications if cut. These include Emergency Services (Police, Fire, and Emergency Medical Services) which account for 17%; Transportation and Transit which account for 20%; and the cost shared /Provincially Mandated Services (Shelter Support and Housing, Toronto Public Health, Children's Services, Long Term Care Homes & Services, and Toronto Employment & Social Services) which account for another 31%. Altogether, these services plus the repayment of debt principal and interest represent approximately three quarters of the City's total gross expenditures.

Chart 1
Where the 2012 Operating Budget Will Be Spent - $9.390Billion
($ Million)


Toronto Public Library, $179.4, 1.9%
Economic Development & Culture, $33.4, 0.4%
Shelter, Support & Housing Administration, $788.7, 8.4%
Transportation Services, $327.2, 3.5%
TTC, $1,542.2, 16.4%
Parks, Forestry & Recreation, $382.6, 4.1%
Toronto Public Health, $232.4, 2.5%
Municipal Licensing and Standards, $47.3, 0.5%
Children's Services, $392.5, 4.2%
19.9%
13.6%
City Planning, $38.4, 0.4%
Fleet and Facilities, $223.2, 2.4%
30.5%
4.9%
Other City Services, $365.4, 3.9%
6.8%
16.5%
7.8%
Long Term Care Homes & Services, $224.8, 2.4%
Governance and Internal Services, $462.7, 4.9%
Debt Charges, $419.4, 4.5%
Toronto Employment & Social Services, $1,225.1, 13.0%
Capital & Corporate Financing, $219.8, 2.3%
EMS, $169.5, 1.8%
Toronto Police Service, $1,012.9, 10.8%
Other, $733.3, 7.8%
Fire Services, $369.8, 3.9%

As shown in Chart 2 below, the 2012 Tax Supported Operating Budget of $9.390 billion is funded by various sources. Property tax funding is the fund of last resort; therefore, the City maximizes all other sources first. Funds for the 2012 Operating Budget include provincial ($1.834 billion) and

federal ($0.190 billion) transfers representing 22%; user fees, charges and fines of $1.515 billion or 16%; and other revenues of $2.164 billion or 23%. Prior year surplus is limited to $102 million or just 1% (compared to the 2011 surplus of $346 million or 3.7%) and property tax funding of $3.678 billion or 39%. The budget was balanced with a 2.5% residential and 0.83% non-residential property tax increase.

As a proportion of the gross operating budget, the net budget financed from property taxes has declined consistently from a high of 46% in 1999 to 39% in 2012. The reduced reliance on property taxes is consistent with the City's strategic direction toward a well-balanced and diversified set of sustainable and predictable revenue sources. This reduced reliance on property taxes is attributed to cost constraints, increased user fee revenues, growth in municipal land transfer tax revenues, and further upload of the costs to the Province for court security and social services in 2012.

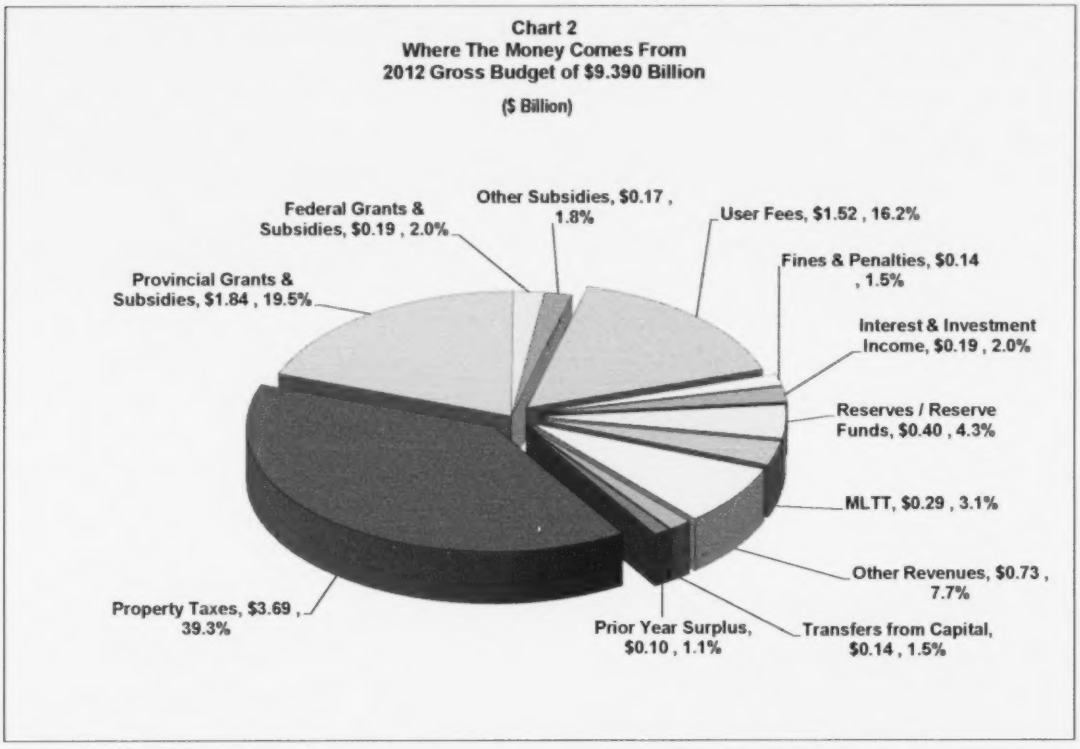


Chart 2
Where The Money Comes From
2012 Gross Budget of $9.390 Billion
($ Billion)
Federal Grants & Subsidies, $0.19 , 2.0%
Other Subsidies, $0.17 , 1.8%
User Fees, $1.52 , 16.2%
Provincial Grants & Subsidies, $1.84 , 19.5%
Fines & Penalties, $0.14 , 1.5%
Interest & Investment Income, $0.19 , 2.0%
Reserves / Reserve Funds, $0.40 , 4.3%
MLTT, $0.29 , 3.1%
Other Revenues, $0.73 , 7.7%
Property Taxes, $3.69 , 39.3%
Prior Year Surplus, $0.10 , 1.1%
Transfers from Capital, $0.14 , 1.5%

2012 Net Operating Budget

The 2012 Operating Budget (or Property Tax Supported) is $3.687 billion, which represents a 3.0% or $107.117 million increase over 2011. This increase is funded by $50.575 million in new tax assessment growth and a 2.5% residential and 0.83 % non-residential tax increase generating, $56.542 million in additional tax revenue in 2012. Total tax levy after assessment growth is $3.636 billion, an increase of 1.6% over 2011.

Chart 3 illustrates how the 2012 Operating Budget, or property tax funding, will be spent. Consistent with the allocation of the gross expenditures, 72% of the 2012 Net Operating Budget is directed to emergency services, cost shared / provincially mandated health and social services, and transit.

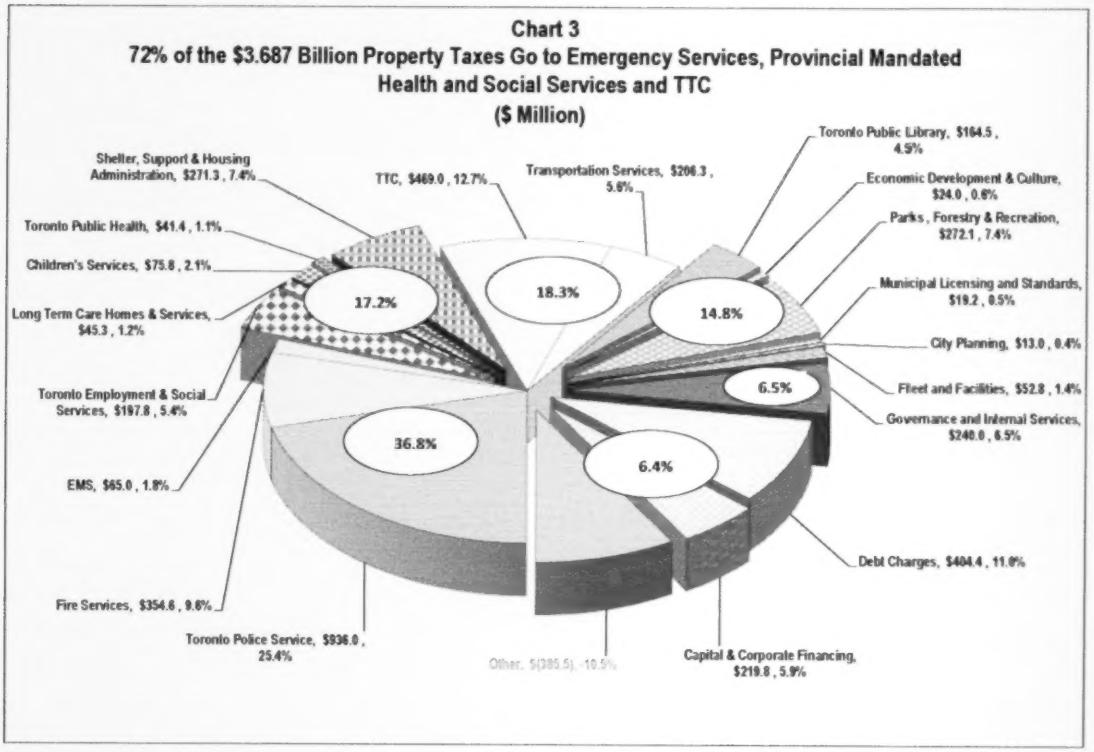
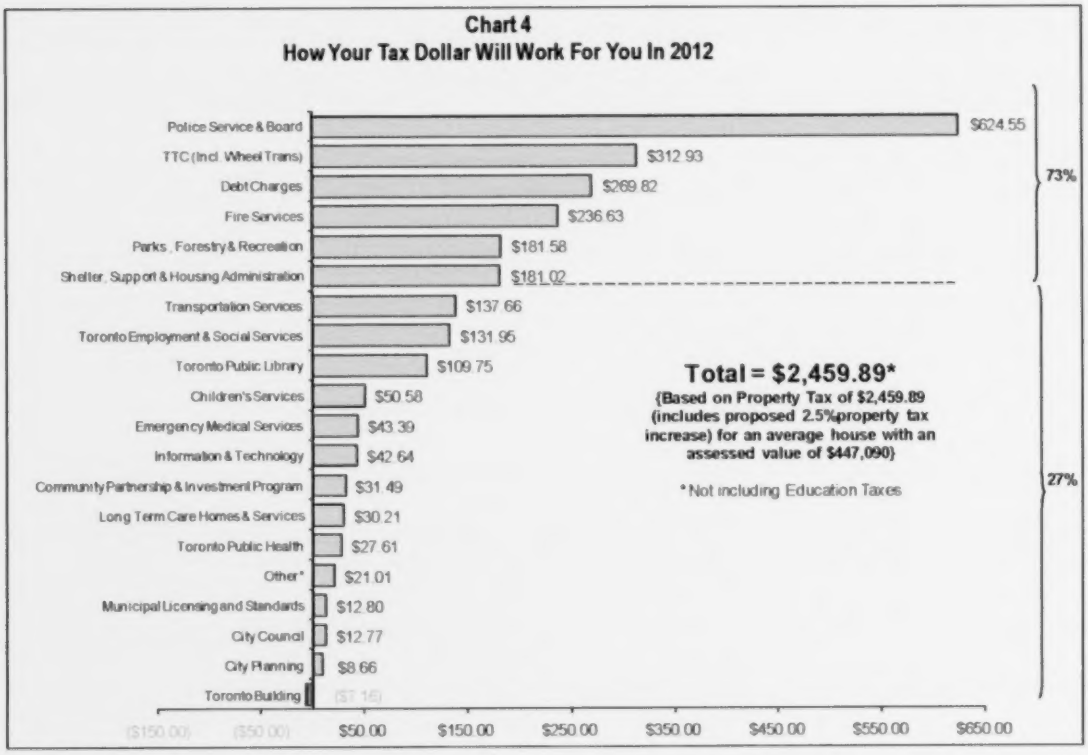


Chart 3
72% of the $3.687 Billion Property Taxes Go to Emergency Services, Provincial Mandated Health and Social Services and TTC
($ Million)
Shelter, Support & Housing Administration, $271.3, 7.4%
TTC, $469.0, 12.7%
Transportation Services, $206.3, 5.6%
Toronto Public Library, $164.5, 4.5%
Economic Development & Culture, $24.0, 0.6%
Parks, Forestry & Recreation, $272.1, 7.4%
Toronto Public Health, $41.4, 1.1%
Children's Services, $75.8, 2.1%
Long Term Care Homes & Services, $45.3, 1.2%
17.2%
18.3%
14.8%
Municipal Licensing and Standards, $19.2, 0.5%
City Planning, $13.0, 0.4%
Fleet and Facilities, $52.8, 1.4%
Governance and Internal Services, $240.0, 6.5%
6.5%
Toronto Employment & Social Services, $197.8, 5.4%
36.8%
6.4%
EMS, $65.0, 1.8%
Debt Charges, $404.4, 11.0%
Fire Services, $354.6, 9.6%
Toronto Police Service, $936.0, 25.4%
Other, $(385.5), -10.5%
Capital & Corporate Financing, $219.8, 5.9%

Where the 2012 Net Operating Budget is Spent

Chart 4 below shows how property taxes of $2,459.89 for the average house, valued at $447,090, will be spent. Of the total average property tax of $2,459, approximately three quarters or $1,807 will be spent on Police Services; TTC; repaying the principal and interest costs for debt borrowing (debt servicing); Fire Services; Shelter, Support, and Housing; and Parks, Forestry and Recreation.

The remaining $653 or 27% of the property tax bill is used to fund *all* other services delivered by the City.



2011 Budget Surplus

The Operating Variance Report for the Nine-Month Period Ended September 30, 2011 project a 2011 year-end operating surplus of $154.044 million or 4.3% of the 2011 Approved Net Operating Budget.

It is noted that the projected year-end operating surplus of $154.044 million includes the financial impact of the Voluntary Separation Program (VSP) on the 2011 Operating Budget. The review and analysis of VSP applications for City Operations have just been completed and the review for Toronto Public Library is still underway. The estimated VSP payouts are close to $20.0 million. The final VSP payout costs will be reported in the year-end operating variance report after all approved applications are processed.

Collectively, Rate Supported Programs were over budget in YTD September by $12.146 million or 17.5% and projections to year-end indicate that they will be underspent by $15.294 million or 27.1% of the 2011 Approved Net Operating Budget.

Staff will be reporting out the final surplus amount for 2011 once the 2011 financial statement audit is complete and reported out to Audit Committee in July, at that time, staff will recommend that the surplus be distributed in accordance with the policy approved by Council in 2004 which states that the surplus be applied in priority order to:

a) Capital Financing Reserve (at least 75% of the surplus) and,

b) the remainder to fund any underfunded liabilities and/or reserve funds as determined by the Deputy City Manager and Chief Financial Officer.

Should the final surplus remain at $154.044 million, staff would recommend that $115.5 million be applied to the capital financing reserve as part of the $700 million in additional financing required in the 2012 to 2021 Capital Budget and Plan. The remaining $38.544 million would be split between topping up the Tax Rate Stabilization Reserve to 1% of the property tax base (as per Council's policy established in 2000) and to fund other reserves in need of replenishment which include the Employee Benefit Liability Reserve and the Extreme Weather Reserve. This strategy will ensure that the capital program is properly funded, reduce debt charge increases and protect the City against adverse economic and environmental risks.

Future Year Outlook Summary

The future year Outlook presents fully balanced operating budgets for 2013 and 2014, should forecasted efficiency savings targets be met. For 2013, the forecasted outlook pressure before revenue increases will be approximately $465 million, comprised of $141 million from the use of one-time funding in 2012 and $324 million in expenditure changes. For 2014, the estimated outlook pressure before revenue increases is $328 million, which includes $31 million from non-recurring reserve funds, as these reserve funds will be depleted at the end of 2013, and $297 million in expenditure changes.

Revenue increases for 2013 and 2014, inclusive of revenues from economic growth, incremental user fees, provincial upload of social services and courts security costs, and reserve contributions, will be approximately $178 million and $159 million respectively. Should Council approve an increase in TTC fares and a 2.5% property tax increase for both years, additional anticipated revenues will be $88 million in 2013 and $89 million in 2014, bringing total revenue increases to $266 million in 2013 and $248 million in 2014.

To offset the remaining operating pressure, efficiency savings targets will be implemented and are expected to generate savings of $199 million in 2013 and $80 million in 2014, resulting in fully balanced operating budgets for both years. Although the Operating Outlook is much more positive compared to recent years, the City must continue to address its reliance on unsustainable balancing strategies in future years to achieve fiscal sustainability and adhere to municipal budgeting best practices. Further details regarding the 2013 and 2014 Outlooks can be found on page 29 of this report.

COMMENTS

The Economic Environment

The City continues to be challenged by growing demand for services and the lack of a fully diversified, predictable and sustainable set of revenue sources. Toronto's economy rebounded from the global recession in 2008 and 2009. The local economy benefited from the temporary federal/provincial infrastructure stimulus spending in the construction sector, which improved consumer confidence and strengthened Toronto's job market. The fading impacts of the fiscal stimulus spending plan have started a period of restraint across the country at both the Federal and Provincial level. Ottawa and the Provinces will initiate more budgetary restraint over the next couple of years.

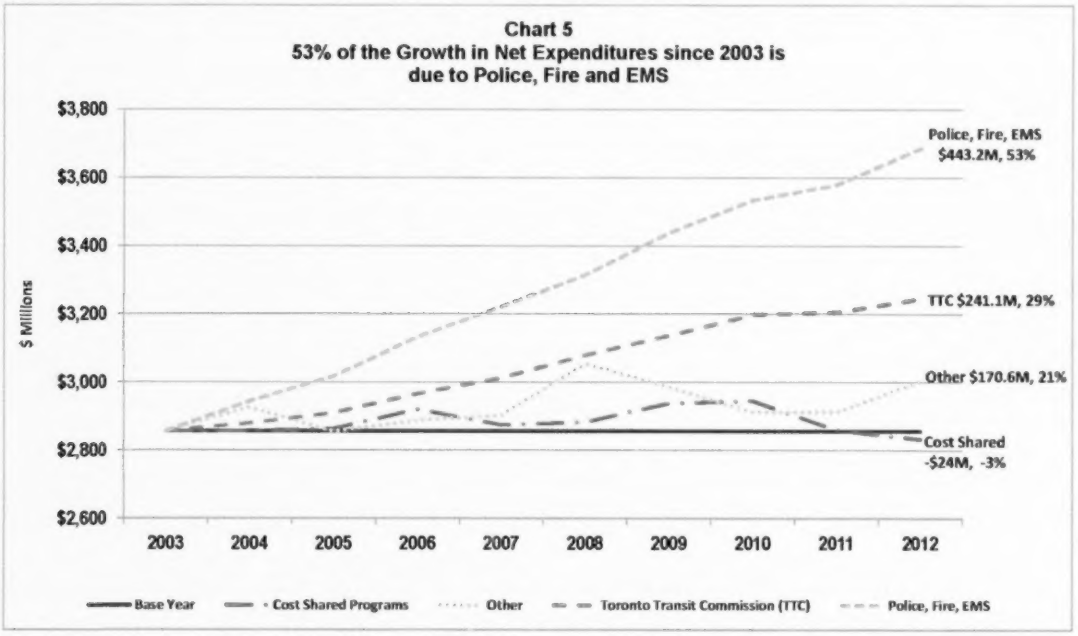
The Conference Board of Canada's fall review forecasted moderate improvements in Toronto's employment and housing growth and a decline in inflation. Toronto's real gross domestic product is forecast to grow by 2.9% in 2012 and 4.1% in 2013. The unemployment rate will decrease to about 7.3% in 2012 and 6.6% in 2013, down from the 8.1% reported for 2011. With mortgage rules tightening, housing activity is expected to expand more slowly, as growth in housing is forecasted to be 3% or 42,713 units in 2012. The Board forecasts a 2.3% consumer price index for Toronto in 2012, down from 3.1% in 2011.

Even with the favourable forecast from the Conference Board of Canada, challenges remain for Toronto's economic performance due to risks outside of Canada, particularly in the United States and Europe's Euro Zone, where the growing necessity to address massive fiscal deficits is causing uncertainty about future economic growth. It is increasingly unlikely that the Euro Zone will register any growth next year, with Germany's projected advance averaging 0.6%. The United States real gross domestic product is forecast to increase by a moderate 1.8% in 2012. Among the larger and less-indebted emerging countries, output is moderating in response to reduced trade associated with the slide in European and United States economic activity. Should the economy perform below expectations, the City's future operating budgets may be negatively impacted by factors such as rising social service costs; moderating TTC ridership; lower land transfer taxes due to moderation of the housing market; reduced user fees from building permits and licenses; and lower assessment growth.

Overall, in 2012 the City will continue to face financial challenges resulting from relatively high unemployment (notwithstanding the improvement expected in 2012), increasing demand for services, and lack of a fully diversified and sustainable set of revenue sources. Bridging the remaining budget pressure for 2013, while meeting demand for City services, will still be a key challenge for staff and Council in 2012.

The City's Fiscal Challenge

The City of Toronto started the 2012 Tax Supported Operating Budget with an opening operating budget pressure of $774 million, primarily due to the use of one-time funding sources such as prior year surpluses and reserve contributions, capital financing cost increases, and increases in cost of living and inflation, which have exceeded revenue growth. Since amalgamation, spending has outpaced revenue growth and, when combined with increased capital financing, has resulted in the need to use one-time revenues, such as prior year surpluses and reserve draws, to balance the budget. Since 2003 Toronto Police, Fire, and Emergency Medical Services were responsible for 53% of the net growth in expenditures followed by the TTC at 29%, as illustrated below.



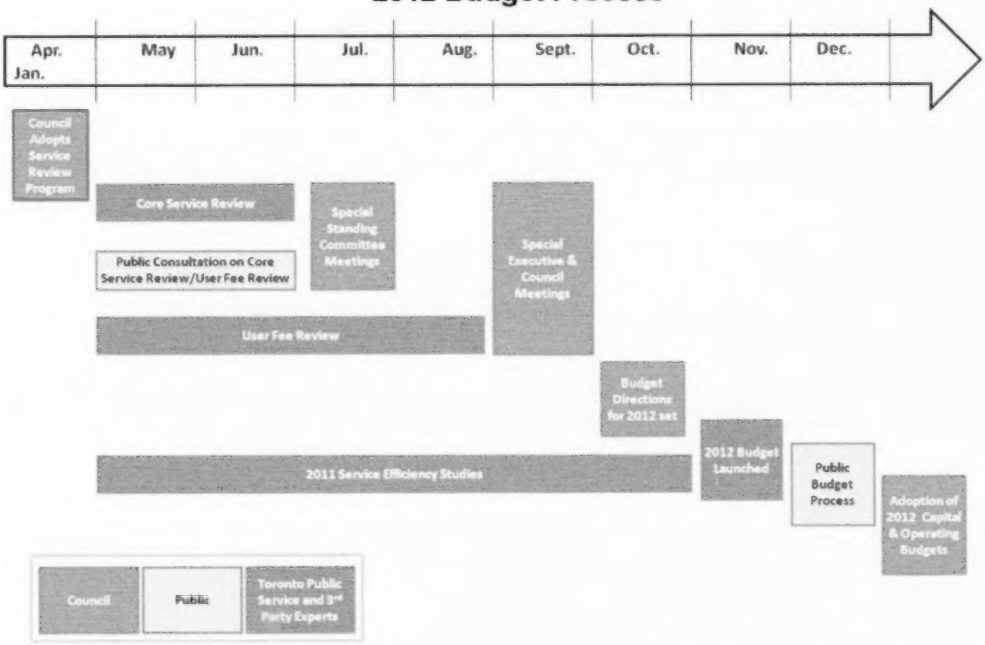
Salaries and benefits account for nearly 48% of the City's 2012 Gross Operating Budget. Collective agreements between the City and CUPE Locals 416, 79 and 2998 (the three largest City operations unions) expired on December 31, 2011. In order to address the City's financial challenges, the City must achieve a balance between its policy decision to protect core services and the growing cost of providing these services through continued negotiations with its labour unions. The labour agreements require adjustments to ensure service efficiencies can be implemented in 2012 and beyond to constrain the cost of services over the long term and enhance service delivery to our residents and businesses.

Actions Taken – Service Review Program

To address the 2012 Operating Budget pressures and capital funding gaps, the Service Review Program was undertaken in 2011 in preparation for the 2012 Budget Process. In 2011, the City set the foundation for its services and service levels that will establish the basis for multi-year planning and service delivery to meet its objectives in 2012 and beyond and to address the City's structural deficit.

On December 16, 2010, City Council directed the City Manager to undertake an ambitious program to find significant savings which then resulted in the undertaking of a Core Service Review, Service Efficiency Studies, Use Fee Review and 10% cost reduction. As outlined in Chart 6 below, work for all these components was scheduled to take place between May and November 2011, with findings and recommendations from the three Service Review initiatives incorporated into the 2012 Budget Process.

Chart 6
2012 Budget Process



Core Services Review

To support City Council's 2012 budget process, the City Manager undertook a Core Service Review of all services delivered by City divisions and agencies. The Core Service Review was conducted using third party expertise provided by KPMG LLP (KPMG), and was intended to set the foundation for

what services the City delivers, and reaffirm services and business investments on which the Toronto government should focus.

The Core Service Review assisted City Council in its 2012 budget deliberations by:

- Developing an inventory of all services, service levels and service standards;
- Defining which services are legislated, core and discretionary, and identifying the role the City plays in each service (for example, deliverer, funder, regulator etc.);
- Benchmarking services and service levels against a range of comparable jurisdictions;
- Confirming services and service levels including public interest and public policy
- considerations;
- Ranking services for potential reductions and discontinuation;

The 2012 Operating Budget included the following service level adjustments and reductions:

- Toronto Transit Commission returned conventional service to 2004-2005 service levels for off-peak and 2008 peak service standards on bus/streetcar routes ($14.000 million)
- Police Services deferred hiring of 236 police officers ($14.636 million)
- Fire Services deferred hiring of 68 firefighters ($7.221 million)
- Emergency Medical Services deferred hiring of 36 paramedics ($1.110 million)
- Toronto Public Library subsidy envelope reduced by 7%
- Parks, Forestry & Recreation:
  - Reduced Off-Peak Hour at selected arenas ($0.260 million), note prime time retained unchanged
  - Eliminated Recreational Programming at selected shared use TDSB Schools ($2.111 million)
  - Eliminated programming at selected TDSB pools ($0.979 million)
  - Reduced horticulture activities ($0.600 million)
- Shelter, Support & Housing Administration is to close over two years non-core, non-provincially mandated shelter ($1.972 million) including Birchmount Shelter, Downsview Dells Shelter, and Bellwoods Shelter (97% of beds retained)
- Community Partnership & Investment Program reduced funding ($4.616 million)
- Economic Development & Culture ended WinterCity outdoor programming ($0.46 million)
- Transportation Services:
  - Harmonized local sidewalk snow clearing services ($0.928 million)
  - Reduced road cleaning service levels ($4.242 million)
- Children's Services:
  - Redirected subsidy from School Boards to subsidized parents ($1.677 million)
  - Realigned Child Care Service delivery at hostels ($0.820 million)

Service Efficiency Studies

A second key component of the Service Review Program focussed on Service Efficiency Studies to determine ***how well*** City Services are delivered. Current service delivery, activities, and functions have been examined to identify opportunities for improvement and cost savings through mechanisms such as automation, innovation, re-engineering, restructuring, and strategic sourcing. External expertise from third parties was sought to conduct the studies where it was determined appropriate. Presently, the Service Efficiency Studies conducted by external firms have identified initial high level savings estimated between $147.6 million to $214 million during 2012 and future years, including one-time and annual financial benefits. The achievement of these savings highly depends on the viability of actions proposed, the implementation timeframes required and available, and other considerations such as changing operating demands, or new legislative requirements over time.

In 2011, fifteen Service Efficiency Studies were identified in the City Manager's April 2011 report to be undertaken as part of a regularized continuous improvement process to ensure that City services are delivered in the most efficient and cost-effective manner. To date, eight of the studies are completed (i.e. Facilities Management and Real Estate; Fleet Services; Shelter, Support and Housing Administration; Solid Waste Management; Toronto Public Library; Toronto Police Service; TTC; and Transportation). Three studies are in progress (i.e. Communications; Environment and Energy; and Parks, Forestry and Recreation) and are expected to be complete in early 2012. Furthermore, four studies (i.e. Counter Services; Court Services; City Planning; and Municipal Licensing and Standards) were deferred until 2012 and will begin in the first quarter of the year.

A more detailed discussion regarding the status and findings of the Service Efficiency Studies and the Core Service Review can be found in the report from the City Manager's Office *'Update on the Core Service Review and Service Efficiency Studies'*, which will be reviewed by Budget Committee at its meeting on January 9, 2012.

Comprehensive User Fee Review

The third component of the Service Review Program was a comprehensive review and update of the City's user fees to determine ***how services should be funded***. A Comprehensive User Fee Review was led by Financial Planning Division staff during the spring of 2011. The Review examined all user fees currently in place to determine the extent to which they are fair, and collect the full cost of providing the particular user fee services. City Council required that the Comprehensive User Fee Review examine all services delivered by City Programs and Agencies to:

1. Identify all existing user fees;
2. Determine the current basis of the fee price;
3. Determine those fees that should be fully cost-recovered, and the extent to which the full cost is recovered;
4. Determine those fees that should be exempt from full cost recovery;
5. Identify additional opportunities for collecting user fees;
6. Assess whether user fee services are delivered economically and efficiently; and
7. Assess access and equity issues.

Furthermore, City Council required that the review examine the methodology used to determine the cost of services, identify the extent to which full cost is determined prior to setting fees, and analyze conditions under which fees may be waived for specific persons or groups of persons.

The user fee review was completed in 2 phases: the establishment of a User Fee Policy and framework, and the subsequent review of all City user fees administered by City Programs and Agencies using the approved User Fee Policy and principles. At its special meeting on September 27, 2011, City Council approved a User Fee Policy and Framework for administering the City's User Fee Program and required all Programs and Agencies to comply with the principles and recommended best practices and approaches to ensure that user fees are administered efficiently. The full report regarding the Policy can be found at:
http://www.toronto.ca/legdocs/mmis/2011/ex/bgrd/backgroundfile-40701.pdf.

The Comprehensive User Fee Review findings are the subject of a separate report before the Budget Committee to be considered during 2012 budget deliberations by Executive Committee and Council in January 2012. User fees are the third largest revenue source for the City of Toronto. The User Fee Review has resulted in a $14.592 million increase in user fee revenue, comprised of $11.924 million from increases in existing user fees and $2.668 million from new user fees, which have been recommended for inclusion in the 2012 BC Recommended Operating Budget.

10% Cost Reduction Target

In order to eliminate the reliance on one-time revenues, the City Manager and Deputy City Manager and Chief Financial Officer issued to all City Programs and Agencies operating budget reduction targets the equivalent of 10% of their respective 2011 Net Operating Budget. The combination of the results of the 10% budget reduction strategy and the three Service Review initiatives have generated significant benefits and cost savings that help mitigate the 2012 Operating Budget pressure, and in the longer term will contribute toward resolving the City's structural deficit.

Overall, City Programs and Agencies achieved a 7.0% or $111.497 million reduction as a result of this initiative, as shown in Table 3 below. Almost all of the City Programs and Agencies met or exceeded the 10% reduction. In some cases, reductions of 10% were not recommended as this level of cost reduction would significantly impact the public. Specifically, impacts to Public Safety and the City's most vulnerable were key considerations.

As a result, the major City Programs and Agencies that did not achieve a 10% reduction include Parks, Forestry and Recreation (3.2%), Shelter Support and Housing (4.1%), Emergency Medical Services (3.0%), Fire Services (3.1%), and Police Services (4.6%).

Table 3 2012 Operating Budget - Target Comparission				
(In $000's)	10% Reduction Target	2012 Rec.'d Reduction	2012 10% Reduction v.s. 2012 Rec'd Reduction	Percentage of Target Achived
Citizen Centred Services "A"	(101,551.5)	(64,260.0)	(37,291.5)	6.3%
Citizen Centred Services "B"	(61,066.4)	(37,700.1)	(23,366.3)	6.2%
Internal Services	(17,918.9)	(21,109.1)	3,190.2	11.8%
City Manager	(3,619.5)	(2,823.2)	(796.3)	7.8%
Other City Programs	(7,059.7)	(5,578.6)	(1,481.1)	7.9%
Accountability Offices	(681.0)	(191.9)	(489.1)	2.8%
TOTAL - CITY OPERATIONS	(191,897.0)	(131,662.9)	(60,234.1)	**6.9%**
Agencies	(179,317.4)	(132,774.0)	(46,543.4)	7.4%
Corporate Accounts	(4,719.7)	0.0	(4,719.7)	0.0%
TOTAL LEVY OPERATING BUDGET	(375,934.1)	(264,436.9)	(111,497.2)	**7.0%**

The Service Review Program and the 10% budget reduction strategy were concurrent activities, which significantly contribute to the 2012 iterative budget process. The results of these activities establishes the City's 2012 Operating Budget, which makes major progress towards fiscal sustainability, has a limited impact on service levels, proposes a modest tax increase, and improves capital funding. Reliance on surpluses, or one-time pressures, reduced from $346 million to $102 million.

Budget Overview

2012 Recommended City Service Deliverables

On a continuing basis, City services are delivered in a manner that ensures that citizens receive good value for their property taxes, while balancing the need to be fiscally responsible and maintain a high standard of living and quality of life for all residents.

Despite the difficult fiscal challenges, this budget places emphasis on services that address economic competitiveness, community safety, transit, and environmental initiatives. The 2012 BC Recommended Operating Budget provides funding to:

Governance and Accountability:

Office of the Auditor General

- Evaluate City programs, activities and functions of Divisions, Agencies, Boards, Commissions, and the Offices of the Mayor and Members of Council to improve the effectiveness of risk management, control and governance processes

Office of the Integrity Commissioner

- Provide advice and outreach to members of Council and local and adjudicative boards, opinions as requested by Council, and conducts inquiries into the contravention of the Codes of Conduct reporting to Council

Office of the Lobbyist Registrar

- Promote and enhance the transparency and integrity of City government decision making through public disclosure of lobbying activities and regulation of lobbyists' conduct

Office of the Ombudsman

- Provide the public with independent and impartial handling of its complaints, thereby increasing confidence in city government, saving money through systemic investigations and over time reducing litigation against the City

City Clerk's Office

- Continue to meet statutory obligations, support Council proceedings, and implement Council priorities as they are identified

Legal Services

- Represent and defend the City of Toronto at all levels of courts and tribunals which include the Ontario Municipal Board, the Alcohol and Gaming Commission, the Labour Relations Board, the Human Rights Tribunal and the Workplace Safety and the Insurance Appeals Tribunal
- Prosecute a wide range of City by-law and provincial statute violations, provide City Inspector training and negotiate agreements relating to provincial offences

Office of the Mayor

- Provide integral support to the Mayor and Executive Committee for the achievement of the Mayor's strategic priorities, receive constituent and stakeholder inquiries, and facilitate the timely resolution of issues

City Council

- Represent 44 wards across the City of Toronto and make decisions on behalf of ward constituents at Committee and City Council

City Manager's Office

- Seek a negotiated settlement with the City's labour unions (CUPE 416, 79, and 2998) to modernize its collective agreements to ensure it has the ability to effectively deliver its core services to the public; to change costly and restrictive collective agreement provisions; and to achieve cost containment measures
- Coordinate ongoing implementation of the Service Review Program
- Coordinate City-wide services with the provincial and federal governments, including transit initiatives such as Spadina Subway, and the key City infrastructure projects for the Pan Am Games
- Fulfill Council mandated initiatives on equity, diversity & human rights by implementing leadership, education and awareness programs, providing technical advice and capacity support to all City divisions and embedding an equity, diversity and human rights lens to all corporate strategies, policies and practices

Facilities Management and Real Estate

- Maintain City facilities in accordance with approved maintenance standards
- Ensure City's property portfolio is optimal and meets program requirements by continuing to work with Build Toronto and Invest Toronto to leverage the City's Real Estate assets in a productive and economically advantageous manner
- Support residents, businesses and neighbourhoods in taking action on climate change and air quality through the provision of expertise and financial support
- Ensure waste diversion rate maintained and exceeds City targets of 70% in City Facilities by reviewing programs to target buildings with low diversion rate and working with ABCDs to implement similar programs to meet City targets

Fleet Services

- Provide Fleet management for the acquisition and disposals of vehicles and equipment for 4,900 vehicles and equipment, training and licensing drivers and operators of City vehicles and equipment to ensure compliance with safety standards, and managing fuel site operations
- Minimize costs and to increase Fleet efficiency by reducing the number of maintenance garage locations from 13 to 9 in 2012
- Provide leadership in the advancement of the City green fleet and environmental goals related to fleet utilization

Information & Technology

- Manage an enterprise-wide IT Service Desk that offers the central point of contact for City staff to receive a wide range of support for IT service requests and IT incident resolution
- Deliver software and eSecurity updates through the central network to up to 19,500 desktop computers and notebooks; manage more than 1,100 servers, 23,800 phone lines; 700 Wide Area Network sites, voice mail servers with more than 15,000 mail boxes; and support over 10,000 wireless devices, cell phones, pagers, and more than 3,000 Blackberries

- Plan, develop, implement and sustain business solutions to support and enhance service delivery by City Programs

Office of the Chief Financial Officer

- Manage investments of $4.6 Billion
- Deliver a 2012 Recommended Operating Budget ($9.358 billion gross and $3.678 billion net) and a 2012 – 2021 Capital Budget and Plan ($14.836 billion) for Council approval by January 19, 2012 that outline the cost and financing to deliver City services and its capital infrastructure within the service level standards, affordability targets and priorities established by the new Mayor and Council
- Protect the City's physical and financial assets through improved insurance and risk management strategies, process 12,000 claims per year, and manage the City's development charges system which yields over $100 million annually
- Review approximately 1,000 staff reports, recommendations and Notices of Motion for financial implications to ensure Council is fully informed prior to decision-making, and provide analysis and recommendations to senior management, Committees and Council on operational, service and capital infrastructure matters that impact the City's financial performance and budgets

Office of the Treasurer

- Process over 500,000 vendor invoices and 2,000 purchase orders
- Process over 832,000 pay cheques and 103,000 pension cheques
- Process 1.3 million tax bills

City Programs:

311 Toronto

- Continue with Customer Service Representatives operating on a 24 hour a day, seven day a week basis to provide reliable access to non-emergency City services for all residents in 180 languages
- Complete 70% of all contacts at first point of contact and address customer complaints within service standard 80% of all 311 related complaints

Affordable Housing Office

- Administer Council approved federal/provincial affordable rental and ownership housing investments of $124.259 million comprising 1,237 homes in seven developments
- Administer $13.244 million in Federal Residential Rehabilitation Assistance Program and the Housing Adaptations for Seniors' Independence Program to assist a total of approximately 890 low income households with home repairs and adaptations

Children Services

- Provide 52,816 licensed child care spaces and 24,000 child care fee subsidy spaces through 648 child care and 10 home care agencies

- Administer 34 summer programs for 6,356 children; 28 before and after school programs for 321 children

Court Services

- Manage court cases, resulting in over 750,000 new yearly charges processed in accordance with provincial legislation, and process over 400,000 trials regarding Provincial Offences matters, 300,000 other hearings, and 400,000 fine payments annually

Economic Development and Culture

- Support approximately 245 key sector development projects; and 72 BIAs and other small businesses which include approximately 20,000 businesses and 200,000 employees
- Market and promote support for film production in Toronto

Emergency Medical Services

- Provide 24-hour emergency medical response for the City of Toronto from 45 ambulance stations with a fleet of 155 ambulances and staff of 851 paramedics and 108 emergency medical dispatchers
- Provide 190,000 emergency transports and 348,000 emergency vehicle assignments

Long Term Care Homes & Services

- Deliver long-term care services including resident and convalescent care offered at 10 long-term care homes and provide support to over 2,500 residents
- Provide over 12,500 client days of care under the Adult Day Program and Supportive Housing services to 450 clients
- Provide the Meals on Wheels Program that will deliver over 2,400 meals per week; and 115,000 client visits under the Homemakers and Nurses Services to support the Aging at Home strategy and provide housekeeping, laundry and meal preparation assistance

Parks, Forestry and Recreation

- Maintain 1,660 named parks, 4,372 hectares of maintained parkland and more than four million trees on streets, ravines, parks and natural areas
- Sustain the urban forest by maintaining approximately 90,000 trees, planting approximately 65,000 trees, reviewing 6,900 applications for construction and development near trees and tree removal within timeline

- Support a wide range of recreation and leisure programs, services and facilities for people of all ages and abilities, promoting active and healthy life styles
- Accommodate 90,000 Welcome Policy registrations and memberships

Shelter, Support and Housing Administration

- Provide 1.406 million bed nights of emergency shelter to homeless individuals (a decrease of 0.8% compared to 2011), including meals and supports
- Provide 310,250 bed-nights of boarding home service to adults with psychiatric disabilities

Social Development, Finance and Administration

- Manage provincial subsidies and receivables of $1.9 billion for cost-shared programs, divisional purchase order procurement and contract management for Cluster A programs, Ontario Works benefit payments funding and cash management, coordinate operating and capital budgets and variance reports and other financial administration functions
- Provide youth employment and engagement supports to 3,200 youth, project management support to 13 Neighbourhood Action Partnerships across the priority neighbourhoods, and project management for TCHC community revitalization (Lawrence Heights, Alexandra Park, Regent Park)
- Administer the Community Services funding programs and corporate coordination of the CPIP budget and aligned policies (community use of City space and AOCC liaison)

Toronto Employment and Social Services

- Manage an average monthly caseload of 106,000, and provide consultation and support to approximately 214,200 client visits at Employment Centres across the City
- Enhance access to ODSP for homeless/vulnerable people, connecting the homeless with ongoing medical support, and linking homeless people to other service providers through the Homeless to ODSP Project Engagement (HOPE)

City Planning

- Process more than 3,700 community planning and Committee of Adjustment applications

Fire Services

- Provide 24-hour emergency response from 82 fire stations with a fleet of 354 heavy & light emergency, support and training vehicles, 11 HUSAR/CBRN dedicated vehicles, and 2 fire boats for marine emergency response
- Mobilize 3,085 fire fighters to respond to 145,000 emergency incidents resulting in approximately 280,000 vehicle runs, including over 10,000 fires, 73,000 medical emergencies and 15,000 vehicle and rescue incidents

Municipal Licensing and Standards

- Issue and enforce business licences within 20 business days, right-of-way permits, temporary sign permits, and fireworks permits; and enforce By-law activities including property standards, right-of-way permits, property maintenance, noise, fences, zoning, and signs
- Provide Animal Services Supports to ensure a healthy and safe co-existence of people and animals in the City by developing a Strategic Plan for Toronto Animal Services

Policy, Planning, Finance and Administration

- Provide centralized financial and administrative support to the Deputy City Manager and Citizen Centre Services "B"
- Update the City's emergency management plan, operational support functions plans and emergency operating procedures

Technical Services

- Undertake capital project work on behalf of its clients estimated at a total project cost of $800.0 million with a cash flow of approximately $500.0 million
- Provide service to the development industry with respect to review of applications made under the Planning Act

Toronto Building

- Implement By-law changes to the Zoning By-law, Site Plan Control By-law, Sign By-law and Third Party Sign Tax, and Green Roof By-law
- Process complete applications in 10 days for houses, 15 days for small buildings, 20 days for large buildings and 30 days for complex buildings 85% of the time; and complete mandatory inspections within 2 days of receiving the request 95% of the time

Toronto Environment Office

- Support residents, businesses and neighbourhoods in taking action on climate change and air quality
- Support all City Divisions and Agencies in undertaking actions necessary to develop and implement major environmental strategies, in particular the Climate Change Action Plan, the Climate Change Adaptation Strategy and Sustainable Energy Strategy

Transportation Services

- Maintain 5,355 kilometres of road, 7,100 kilometres of sidewalks, 539 bridges, and over 100 kilometres of bike lanes in a safe and reliable state
- Install, maintain and operate 2200 signalized intersections, 73 expressway and arterial road monitoring cameras, 6 main changeable message signs, 77 red light cameras and over 200 automatic traffic detecting stations

- Invest in the public realm by rolling out of 5,133 pieces of street furniture pieces

- Administer 600 street events including Pride Festival and Parade, Honda Indy, Toronto Caribbean Carnival/Caribana and Santa Clause parades

Community Partnership and Investment Program

- Support Council's social, cultural, housing, health, employment, recreation, economic and neighbourhood improvement goals by supporting a citywide network of community agencies
- Provide partnership funding to provide ongoing support to specific programs to sustain capacity and meet ongoing service demand, and invest short-term project funding for activities with clearly articulated deliverables and to assist in leveraging additional resources
- Administer funding to provide accounting, auditing and other financial services to ensure effective financial analysis and transparency

Agencies:

Arena Boards of Management

- Deliver a total of 39,200 hours of available ice time, comprising of 21,700 hours of prime time ice and 17,500 hours of daytime ice, to the community across the eight Arena Boards

Association of Community Centres

- Support 10 community centres to deliver programs and services, respond to community requests and local needs, and provide services to vulnerable areas and at-risk youth

Exhibition Place

- Continue to host City celebrations and events that attract international visitors, such as the Toronto Caribbean Festival, CHIN Picnic and the Honda Indy Toronto

Heritage Toronto

- Provide funding for Heritage Toronto to deliver heritage walks, plaques and markers, heritage lectures, on-line publications and liaisons and consultations

Parking Tag Enforcement and Operations

- Continue to provide the City with free flow of traffic through the enforcement of the City's Parking By-law

Theatres

- Provide world-class, multi-functional facilities for Toronto's performing arts companies and local communities at Sony Centre for the Performing Arts, St. Lawrence Centre for the Arts, and Toronto Centre for the Arts

Toronto Atmospheric Fund

- The advancement of new approaches and technologies to reduce GHG (Greenhouse Gas) emissions to improve air quality and create a vibrant green economy

Toronto Police Service

- Deploy uniform strength of 5,368 officers delivering police services. This is 236 officers below the approved uniform establishment
- Focus on the continued reduction of crime occurrences which decreased 7% in 2011 over prior year
- Provide security for 263 Provincial courtrooms within the City

Toronto Public Health

- Investigate and respond to 80,000 reports of suspected cases of designated reportable/communicable diseases
- Inspect over 2,700 critical and semi-critical personal services settings; and conduct one annual infection prevention and control inspection in all 876 licensed child care facilities
- Systematically and routinely assess, monitor and report suspected and confirmed food-borne illnesses (potentially in 2.6 million Torontonians) and food premises (17,243 premises)
- Engage 950 youth and 235 of their adult allies from diverse communities and receive training/education in social media design and health promotion approaches to food skills, healthy eating, tobacco control, promoting physically active and injury prevention and substance abuse

Toronto Public Library

- Provide on average 4,801.5 hours of operation weekly; support over 18 million in person visits and offer 25,912 library programs with attendance of over 697,500
- Provide 1,700 computer workstations and wireless internet access in all branches
- Provide access to over 11 million items in a variety of formats, and languages, with circulation of over 32 million items
- Provide over 2.4 million annual reference transactions
- Provide access to library services 24/7 via the library's website with over 25 million virtual visits

Toronto & Region Conservation Authority

- Provide public use programs and facilities at 9 Conservation Areas (used by over 500,000 visitors) and at Black Creek Pioneer Village (used by over 150,000 visitors)
- Continue protection, management and restoration of water in 9 watersheds and land resources on 42,500 acres and encourage environmentally friendly practise and development progress on the Waterfront projects

Transit

- Provide 8.4 million service hours to meet ridership of 503 million
- Enhance customer service through the implementation of the Customer Liaison Panel and a series of regular town hall meetings
- Maintain the Next Vehicle Arrival System text messaging service for all surface vehicles

Toronto Parking Authority

- Manage 22,100 off-street spaces, 19,000 on-street spaces, 13,800 spaces at the Toronto Transit Commission and 2,175 spaces for the Parks, Forestry and Recreation Program along the waterfront and other areas of the City

Toronto Zoo

- Achieve a high level of visitor satisfaction through features such as the addition of exciting new animals, highly interactive / experiential short-term exhibits, and comprehensive special event plans

Yonge-Dundas Square

- Produce and host 100 programmed events during the spring, summer and fall
- Host, coordinate and support an estimated 200 scheduled 3rd party public events year-round including community and private sector events, City events, and major cultural events such as Nuit Blanche, NXNE and Just for Laughs festivals, for a projected combined total of 300 events in 2012

Investment in New and Enhanced Services

The 2012 Budget also includes new and enhanced services. These services are fully funded by Transit ridership revenue increases and offset by other service efficiencies, provincial grants, reserve funding, and user fees.

This investment is consistent with directions provided by the City Manager to include *no new services* except for those that were partnership/non-tax revenue funded, or were absolutely necessary to achieve the highest service priorities for the following initiatives:

- $30.0 million increase in transit expenditures to fund a 6 million passenger increase
- $11.7 million for an estimated increase in the Ontario Works monthly caseload by 5,000
- $3.6 million increase in Emerald Ash Borer management plan for approximately 4,760 City-owned trees
- $1.2 million increase to the Welcome Policy funding
- $1.4 million provincially funded Full Day Early Learning Kindergarten program
- $1.3 million to host the 2012 Ontario Summer Games funded by Ontario Ministry of Health Promotion and user fees.

2012 Gross Operating Budget

The 2012 Gross Operating Budget of $9.390 billion reflects a decrease of $19.102 million or 0.2% over the 2011 Approved Budget as illustrated in Table 4 below. This is the first decrease in gross expenditures since amalgamation, bringing spending in line with revenue growth.

Total City Operations gross expenditures decreased by $95.631 million or 1.9% from $4.907 billion in 2011 to $4.811 billion in 2012. Shelter, Support & Housing Administration and Toronto Environmental Office were the major contributors to this reduction in expenditures, which was partially offset by increases in other programs, primarily Transportation Services.

The Agency's total gross expenditures increased by $13.422 million to $3.159 billion or 0.4% in 2012 primarily due to the increase in the Toronto Police operating budget by $12.287 million driven by salary increases and a $9.639 million increase in the Toronto Transit Commission budget resulting from additional costs associated with a 3.1% ridership increase. This increase is marginally offset by $4.822 million reduction in the Toronto Public Library budget and a $5.678 million reduction in the Toronto Public Health budget.

Table 4 shows that the major revenue sources that fund the 2012 Operating Budget are property tax revenues of $3.687 billion, user fees of $1.518 billion, and provincial transfers of $1.837 billion. These three revenue sources comprise approximately 3 quarters of the total 2012 Revenue Budget.

Table 4 2012 Council Approved Operating Budget By Category (in $ Millions)					
Description of Category	2011 Approved Budget	2012 Council Approved Budget		Change from 2011 Approved Budget	
	$	$	%	$	%
Gross Expenditures:					
Salaries and Benefits	4,481.5	4,443.1	47.3%	(38.4)	(0.9%)
Materials and Supplies	545.2	557.6	5.9%	12.4	2.3%
Equipment	45.3	44.1	0.5%	(1.2)	(2.6%)
Services & Rents	1,402.7	1,487.0	15.8%	84.3	6.0%
Contributions and Transfers	2,616.4	2,548.0	27.1%	(68.4)	(2.6%)
Other Expenditures (includes IDCs)	317.9	310.1	3.3%	(7.8)	(2.4%)
Total Gross Expenditures	**9,409.0**	**9,390.0**	**100.0%**	(19.0)	(0.2%)
Funded by:					
Provincial Transfers	1,879.5	1,836.8	19.6%	(42.7)	(2.3%)
Federal Transfers	192.7	189.6	2.0%	(3.1)	(1.6%)
Other Transfers	190.9	170.2	1.8%	(20.7)	(10.9%)
User Fees, Permits & Donations	1,444.6	1,518.2	16.2%	73.6	5.1%
Fines & Penalties	133.3	137.6	1.5%	4.3	3.2%
Interest & Investment Income	166.2	185.1	2.0%	18.9	11.4%
Transfers from Capital	124.4	140.2	1.5%	15.8	12.7%
Reserves/Reserve Funds	383.0	403.4	4.3%	20.4	5.3%
Municipal Land Transfer Tax	226.2	294.2	3.1%	68.0	30.1%
Prior Year Surplus	345.5	101.7	1.1%	(243.8)	(70.6%)
Other Revenues (includes IDRs)	743.3	726.4	7.7%	(16.9)	(2.3%)
Total Non Tax Revenues	**5,829.6**	**5,703.4**	**60.7%**	(126.2)	(2.2%)
Net Budget - Property Tax Revenues	3,579.4	3,686.6	39.3%	107.2	3.0%

2012 Net Operating Budget

The 2012 Operating Budget is $3.687 billion, reflecting an increase of $107.117 million from the 2011 Approved Operating Budget (see Appendix 1). The net increase is mainly due to reduced reliance on one-time operating surplus, 10% increase in CFC, partially offset by cost savings from service level adjustment and efficiency savings.

The $107.117 million net increase has been offset by $50.575 million in assessment growth and $56.542 million increase in property tax revenue arising from a 2.5% increase in residential and 0.83% increase in non-residential property taxes.

User Fees and Other Charges – Revenue Impact

User fees and other charges represent the third largest source of revenues for the City of Toronto. In total, user fee revenues amount to $1.518 billion and fund 16% of the 2012 Operating Budget. As such, one of the key Service Review initiatives focused on a comprehensive review of the City's User Fee Program, using best practices and approaches as approved in the User Fee Policy and Framework by City Council in September 2011. The comprehensive user fee findings have been incorporated in the 2012 Operating Budget.

Table 5 below summarizes by City Program and Agency the incremental revenues from changes to existing user fees and proposed new user fees as a result of the Comprehensive User Fee Review. As indicated in the table, new user fees in the 2012 Operating Budget will generate $2.668 million, while changes to existing user fees will produce incremental revenues of $11.924 million for a total of $14.592 million for all City Programs and Agencies excluding the Toronto Transit Commission (TTC). The TTC approved a 10 cent TTC fare increase in 2012 with an incremental revenue impact of $30 million.

Table 5
2012 Operating Budget
New User Fees and Price Change Summary
Incremental Revenue Impact

Programs / Local Boards (by Service) ($Million)	Incremental Adjusted Fees		Total Incremental Fee Increase	New User Fees	2012 Total Incremental and New $Revenue
	Inflation $Revenue	Other $Revenue			
Economic Development and Culture		0.020	0.020		0.020
Emergency Medical Services	0.004		0.004		0.004
Parks Forestry and Recreation	1.446	0.725	2.171	1.504	3.674
City Planning	0.444	6.306	6.750		6.750
Municipal Licencing and Standards	0.411		0.411		0.411
Technical Services	0.002		0.002		0.002
Toronto Building	1.133	0.039	1.173		1.173
Transportation Services	0.295	0.098	0.393		0.393
Information & Technology	0.003		0.003		0.003
Facilities Management and Real Estate		0.029	0.029		0.029
Revenue Services				1.146	1.146
City Clerks Office	0.002	0.004	0.006		0.006
Sub-Total City Programs	**3.741**	**7.222**	**10.962**	**2.649**	**13.612**
Toronto Public Library		0.217	0.217	0.019	0.236
Toronto Public Health	0.002		0.002		0.002
Toronto Zoo		0.742	0.742		0.742
Sub-Total Agency before Transit	**3.743**	**8.181**	**11.924**	**2.668**	**14.592**
Toronto Transit Fare Increase		30.000	30.000		30.000
Total Incremental Revenues	**3.743**	**38.181**	**41.924**	**2.668**	**44.592**

2012 Approved Positions

The 2012 Tax Supported Operating Budget resulting in the deletion of 1,539.5 positions, partially offset by an addition of 328.4 positions, for a net staff reduction of 1,211.1 positions or 2.6% as shown in Table 6 below.

The deletion of 1,539.5 positions will result in a gross cost savings of 110.934 million and property tax savings of $60.005 million. As summarized in Table 7 below, a total of 1,539.5 positions comprised of 1,268.4 permanent and 271.1 temporary positions have been deleted as a result of the service efficiencies and changes to reduce the 2012 budget shortfall.

The net decrease of 1,211.1 positions (for tax supported Programs and Agencies only) is primarily attributed to Transportation Services (221.3 positions at savings of $12.586 million), TTC (145.0 positions at a savings of $18.226 million), Facilities Management and Real Estate (120.2 positions at a savings of $4.929 million), Toronto Public Library (107.0 positions at savings of $7.533 million), and Parks, Forestry and Recreation (80.4 positions at savings of $5.574 million) as shown in Appendix 2.

The addition of 328.4 positions, with a total cost $18.812 million gross and $6.715 million net, consists of 219.3 permanent and 109.1 temporary positions. The increase is primarily due to volume changes and the operating impact from capital projects. The major contributors of the increase are as following:

- Toronto Transit Commission: Addition of 188.0 operating positions ($8.738 million) as a result of service increases to accommodate ridership growth
- Toronto Employment & Social Services: Addition of 53.0 temporary positions to reflect the budgeted Ontario Works caseload increase of 5,000 from 101,000 to 106,000, resulting in budget increase of $4.460 million gross and $3.787 million net
- Parks, Forestry & Recreation: Addition of 45.0 positions with a budget impact of $2.285 million gross expenditures and $1.513 million net due to operating impact from completed capital projects, most notably, Regent Park pool, IT projects, and new facilities and parklands as a result of Section 37 Agreements and Waterfront Toronto developments
- Facilities Management Services: Addition of 14.8 positions with a budget impact of $1.136 million gross expenditures and $0.415 million net primarily due to the Yard Property Study and City-wide audit as well as increased demand from other programs

Table 6
2012 Operating Budget
Tax Supported
Summary of Approved Operating Position Deletions and Additions

Programs/ABC	Base			New			Base and New		
	Perm	Temp	Total	Perm	Temp	Total	Perm	Temp	Total
Position Deletions:									
Citizen Centred Services "A"	(190.4)	(208.0)	(398.4)			-	(190.4)	(208.0)	(398.4)
Citizen Centred Services "B"	(266.0)	(43.3)	(309.3)			-	(266.0)	(43.3)	(309.3)
Internal Services	(209.0)	(2.0)	(211.0)			-	(209.0)	(2.0)	(211.0)
Other City Programs	(47.0)	(2.5)	(49.5)			-	(47.0)	(2.5)	(49.5)
City Operations	(712.4)	(255.8)	(968.2)	-	-	-	(712.4)	(255.8)	(968.2)
Public Health	(62.2)	(4.6)	(66.8)				(62.2)	(4.6)	(66.8)
City Operations incl. Public Health	(774.6)	(260.4)	(1,035.0)	-	-	-	(774.6)	(260.4)	(1,035.0)
Other Agencies	(493.8)	(10.7)	(504.5)			-	(493.8)	(10.7)	(504.5)
Total Deletions	**(1,268.4)**	**(271.1)**	**(1,539.5)**	-	-	-	**(1,268.4)**	**(271.1)**	**(1,539.5)**
Position Additions:									
Citizen Centred Services "A":									
Parks Forestry & Recreation	13.0	32.0	45.0			-	13.0	32.0	45.0
Social Development, Finance & Admin					4.0	4.0	-	4.0	4.0
Toronto Employment & Social Services		53.0	53.0			-	-	53.0	53.0
311 Toronto	5.0		5.0				5.0	-	5.0
Citizen Centred Services "B":									
Toronto Environment Office		3.0	3.0			-	-	3.0	3.0
Internal Services:			-			-	-	-	-
Treasuer's Office			-		7.0	7.0	-	7.0	7.0
Facilities	6.0		6.0	3.8	5.0	8.8	9.8	5.0	14.8
Other City Programs:			-			-	-	-	-
City Clerk's Office	2.8	2.0	4.8			-	2.8	2.0	4.8
Mayor's Office		1.0	1.0			-	-	1.0	1.0
Agencies:			-			-	-	-	-
Toronto Public Health	0.2		0.2			-	0.2	-	0.2
Heritage Toronto	0.5		0.5			-	0.5	-	0.5
Theatres		2.1	2.1			-	-	2.1	2.1
TTC Conventional	188.0		188.0			-	188.0	-	188.0
Total - Additions	**215.5**	**93.1**	**308.6**	**3.8**	**16.0**	**19.8**	**219.3**	**109.1**	**328.4**
Total - Levy Operations	**(1,052.9)**	**(178.0)**	**(1,230.9)**	**3.8**	**16.0**	**19.8**	**(1,049.1)**	**(162.0)**	**(1,211.1)**
Emergency Medical Services									(36.0)
Fire Services									(68.0)
Toronto Police Services									(353.0)
Total Position Equivalents for Gapping/Delayed Hiring									**(457.0)**
TOTAL									**(1,668.1)**

Table 7 below shows that 45,808.0 operating positions, comprised of 41,692.4 permanent and 4,115.6 temporary positions, are required to deliver 2012 services and service levels. Compared to 2011, this represents a decrease of 1,211.1 positions.

Table 7
2012 Operating Position Summary
Tax Levy Operations

	City Operations			Agencies			Total		
	Permanent	Temporary	Total	Permanent	Temporary	Total	Permanent	Temporary	Total
2011 Approved Positions	18,879.3	3,579.4	22,458.7	23,862.2	698.2	24,560.0	42,741.5	4,277.6	47,019.1
2012 Change:									
Base Increase (decrease)	(685.6)	(164.8)	(850.4)	(367.3)	(13.2)	(380.5)	(1,052.9)	(178.0)	(1,230.9)
New / Enhanced increase (decrease)	3.8	16.0	19.8				3.8	16.0	19.8
Total 2012 Positions	**18,197.5**	**3,430.6**	**21,628.1**	**23,494.9**	**685.0**	**24,179.5**	**41,692.4**	**4,115.6**	**45,808.0**
Change from 2011:									
Positions	**(681.8)**	**(148.8)**	**(830.6)**	**(367.3)**	**(13.2)**	**(380.5)**	**(1,049.1)**	**(162.0)**	**(1,211.1)**
Percentage	**-3.6%**	**-4.2%**	**-3.7%**	**-1.5%**	**-1.9%**	**-1.5%**	**-2.5%**	**-3.8%**	**-2.6%**

2013 and 2014 Outlook

The Service Review Program initiatives launched in 2011 significantly reduced the structural shortfall in 2012, and contributed to balancing the 2012 Operating Budget. Although reliance on one-time prior year surplus revenues decreased from $346 million in 2011 to $102 million in 2012, the City will continue to look for additional reliable revenue sources and opportunities to provide services more efficiently and to maintain long-term financial sustainability. The main strategies to mitigate the pressures and balance the budget in future years will include on-going efficiency initiatives, cost controls, additional provincial or federal funding, inflationary increases in user fees, as well as other sustainable revenue sources.

Table 8 below summarizes the Operating Outlook for 2013 and 2014. The future-year outlook includes fully balanced operating budgets for both years, should efficiency savings targets be achieved. This is a significant improvement compared to the $774 million operating pressure in 2012. For 2013, the pressure before revenue increases is comprised of $141 million in one-time funding ($102 million from the prior year surplus and $39 million from reserve draws) and $324 million in expenditure changes. For 2014, components of the pressure before revenue increases include $31 million in reserve draws and $297 million in expenditure changes. It is anticipated that there will be a balanced budget for 2013, and therefore, no prior year surplus pressure in 2014.

As Council is aware, the City has been fully funding 2,000 daycare spaces from reserve. This reserve will be fully depleted by the end of 2013. While the City will continue to pursue provincial funding to replace the reserve, the 2014 Outlook assumes that the spaces will be eliminated, should the provincial funding not be forthcoming.

Revenue increases to offset expenditures will be approximately $178 million in 2013 and $159 million in 2014. This consists of economic growth (i.e. assessment growth, municipal land transfer tax, interest and investment earnings, and TTC ridership growth), incremental user fee revenues, provincial upload of social services and court service services, and reserve draws. Additional revenues of $88 million in 2013 and $89 million in 2014 are dependent on future City Council decisions to approve an increase in TTC fares and a 2.5% residential and 0.83% non-residential property tax increase for both years. Total revenue increases, inclusive of TTC fare increases and property tax increases, are estimated at $266 million in 2013 and $248 million in 2014.

To balance the budgets, efficiency savings targets of $199 million for 2013 and $80 million for 2014 have been established to offset the remainder of the outlook pressures. These future savings will be realized through continued Service Efficiency Studies and the City's multi-year service and financial planning process, which will support fiscal prudence, maximize savings, and provide more accountability to taxpayers.

Table 8 2013 and 2014 Operating Budget Outlook $Million		
	2013	**2014**
City One-Time Funding		
Tax Stabilization Reserve/Prior Year Surplus	102	
Reserve Draws	39	31
Total Unsustainable Balancing Strategies	**141**	**31**
Expenditure Changes		
City & Agency Inflation - Labour/Non-Labour	241	251
Operating Impact of Capital	9	10
Capital Financing	37	52
Daycare Spaces		(29)
Other	37	13
Total Expenditure Changes	**324**	**297**
Outlook Pressure Before Revenue Increases	**465**	**328**
Revenue (Increases) and Decreases		
Economic Growth	(117)	(106)
User Fees	(15)	(20)
Upload (OW/Security)	(16)	(28)
Reserve Draws	(30)	(5)
	(178)	(159)
Future Council Decisions:		
TTC Fare Increases	(30)	(30)
Tax Increases (2.5% residential & 0.83% non-residential)	(58)	(59)
	(88)	(89)
Total Revenue (Increases) and Decreases	(266)	(248)
Outlook Pressure Before Efficiency Target	**199**	**80**
Efficiency Savings Target	**(199)**	**(80)**
Remaining Pressure	**0**	**0**

Rate Supported Operating Programs

Solid Waste Management Services

Solid Waste Management Services (SWM) is responsible for the collection of waste/ recyclables/organics, and the operation of transfer stations, Material Recovery Facilities (MRF), a Source-Separated Organics (SSO) processing facility and an enhanced Litter Program to support the Clean and Beautiful City initiatives. The Program also manages several waste diversion programs including: environment days, backyard composter distribution, and recovery of household hazardous waste, tire and white goods recycling.

The 2012 Operating Budget expenditures for Solid Waste Management Services is $345.836 million as shown in Table 9 below. Gross expenditures increased by approximately 1% or $3.205 million higher than the 2011 primarily due to a $2.361 million increase in the contribution to the Perpetual Care Reserve Fund to finance landfill closure and post-closure costs as recommended by the January, 2011 Auditor General report; $1.182 million in 2012 increase in salaries and benefits to lower budgeted gapping for Solid Waste Management Services from 3.5% to 2% over a two year period; and a $0.139 million increase in costs to expand blue box materials to work towards achieving the 70% diversion target by including Mixed Rigid Plastic Packaging #1-7 for single stream recycling. It is estimated that 500 tonnes of plastic can be diverted from landfill with this initiative.

Table 9
Solid Waste Management Services
2012 Approved Operating Budget
$Million

Service	Gross	Net
Program Support	65.4	(199.9)
Collection	116.7	112.9
Transfer	29.8	22.6
Processing	40.4	20.1
Disposal	93.5	44.4
Total Program Budget	**345.8**	**(0.0)**

As part of the strategy to achieve the waste diversion target of 70%, Solid Waste Management was reorganized as a self sustaining utility that would be funded from volume based user fees that would fund both current operations and capital works necessary to achieve 70% diversion target. Solid Waste Management Services has transitioned to a volume-based rate funding structure whereby multi-residential buildings and single-family houses are charged a user fee for waste services in order to fund the service objective of 70% waste diversion. As a result of this initiative, the entire Solid Waste Management program is funded from revenue other than property taxes including funding from WDO (Waste Diversion Ontario), revenue from the sale of recyclable materials and the new volume based user fees.

Toronto Water

Toronto Water, the largest supplier of municipal drinking water and wastewater treatment in Canada and fifth largest in North America, delivers water treatment and distribution and wastewater collection and treatment services on demand to 3.2 million residents and businesses in Toronto, and portions of York Region and Peel Region 24 hours a day, 7 days a week, 365 days a year. The Program operates an extensive network of water and sewer lines serving the residential and commercial needs of the City.

Toronto Water every day treats; transmits; stores; and, distributes over 1 billion litres of potable (drinkable) water to all industrial; commercial; institutional; and, household water users in the City of Toronto, amounting to 470,200 connections. In addition, the drinking water requirements of a major portion of York Region are supplied under an agreement between the City and the Region.

Water is drawn from Lake Ontario, treated and distributed through an integrated system which includes 4 water treatment plants (R.C. Harris, F.J. Horgan, R.L. Clark and Toronto Island); 18 water pumping stations; 102 pumps; 528 kilometers of trunk watermains; 10 underground storage reservoirs; 4 elevated storage tanks; 60,933 valves; and, 5,427 kilometers of distribution water mains if laid end-to-end would exceed the entire distance from Newfoundland to British Columbia.

Toronto Water collects and treats wastewater from over 4,400 kilometres of sanitary sewers; 4,300 kilometers of storm sewers; and, 1,300 kilometers of combined sewers (carries both sanitary and storm flows).

Wastewater is pumped by 82 pumping stations to 1of 4 wastewater treatment plants (Ashbridges Bay, Highland Creek, Humber and North Toronto) where physical and biological treatment processes remove solids; chemicals; and, pathogens.

Toronto's wastewater treatment plants have a combined rated capacity of over 1.5 billion litres of wastewater a day and operate under strict regulations set by the Ministry of the Environment. Toronto Water provides wastewater collection and treatment services to all City residents and businesses. In addition, the Program collects and treats a small volume of wastewater from the Region of Peel.

Toronto Water is self-sustaining and does not impact the municipal property tax levy. The Toronto Water 2012 Council Approved Budget totals $893.333 million as illustrated by Service in Table 10 below. Operating and capital investments are funded through water and sewage rates established each year by Council. Other sources of funding include revenue from the sale of water to York Region; industrial waste surcharges; private water agreements; service charges; and, sundry revenue.

Table 10
Toronto Water
2012 Approved Operating Budget
$Million

Service	Gross	Net
Water Supply & Treatment	66.9	0.0
Wastewater Treatment	103.4	0.0
District Operations	88.7	0.0
Water Infrastructure Management	9.6	0.0
Business Support	18.0	0.0
Operational Support	36.4	0.0
Program Support	58.7	0.0
Capital-from-Current Contribution	511.8	0.0
Total Toronto Water Budget	**893.3**	**0.0**

Toronto Parking Authority

Toronto Parking Authority (TPA) provides safe, attractive, self sustaining, conveniently located and competitively priced off-street and on-street public parking as an integral component of Toronto's transportation system.

The TPA Council Approved 2012 Operating Budget is $72.327 million (see Table 11); representing an increase of 2.0% or $1.432 million over the 2011 Approved Operating Budget primarily due to increases in annual wages ($0.663 million), depreciation charges ($0.178 million or 2.1%), municipal property taxes ($0.389 million) and inflationary pressures for material and supplies and service ($0.543 million).

Table 11
Toronto Parking Authority
2012 Approved Operating Budget
$Million

Service	Gross	Net Revenue
On-Street Parking	12.6	(34.1)
Off-Street Parking	59.8	(22.3)
Total Program Budget	**72.3**	**(56.4)**

The Toronto Parking Authority's 2012 Operating Budget of ($56.403) million net will provide funding for the following Service Deliverables:

On-Street Parking:

- The Authority manages an estimated 19,000 on-street spaces controlled by the highly successful and profitable pay-and-display environmentally friendly technology or single spaced meters.
- The Authority's introduction of solar powered pay-and-display units in 1999 reflected one of the City's first users of photovoltaic technology for encouraging renewable energy sources.

Off-Street Parking:

- The Toronto Parking Authority maintains approximately 22,100 off-street spaces which include: 12 attended lots; 14 fully automated garages; and, 172 unattended lots.
  - The Authority operates, on behalf of the Toronto Transit Commission, roughly 13,800 spaces at their park-and-ride facilities and parking lots.
  - The Authority also manages for the Parks, Forestry and Recreation Program parking facilities along the waterfront and other areas in the City accounting for an additional 2,175 spaces on a seasonal basis.

City of Toronto Multi-Year Financial Planning & Budgeting Process

2012 Financial Planning Process

Immediately following the approval of the 2011 Budget, City staff began preparations for the 2012 Budget with the introduction of the Service Review Program and the issuance of 10% budget reduction targets. The City conducted its 2012 administrative budget review from June to October, which was followed by a political budget review process from November to January. The rigorous timelines for the 2012 Budget process resulted in City Staff delivering two budgets (2011 and 2012 capital and operating) in fiscal one year. The 2012 Capital and Operating Budgets are scheduled to be reviewed and approved by City Council January 17-19, 2012.

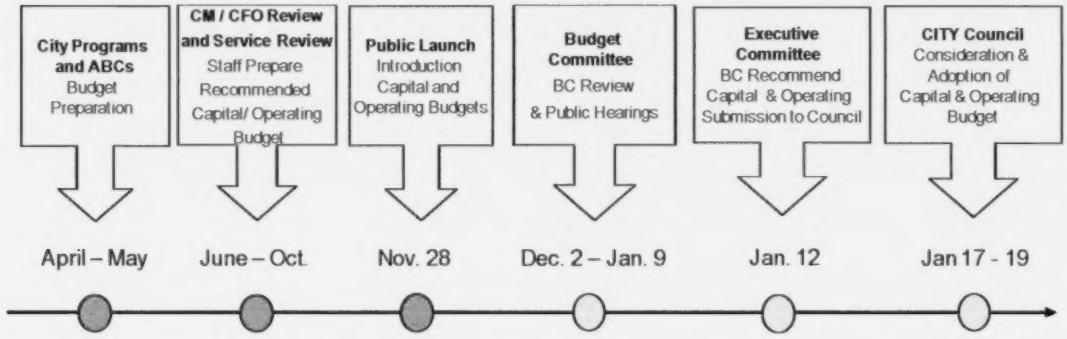
The 2012 Financial Planning and Budgeting Process established services and service levels that should be provided by City Programs and Agencies. It set the groundwork for developing service plans beginning with the 2013 Financial Planning and Budgeting Process, taking into consideration available revenues and the need to resolve the City's structural financial problem. For 2013, the goal is to approve the budget before the start of the 2013 fiscal year.

The City's approved financial planning and budgeting process is based on best practices. It incorporates a long-term perspective comprised of an operating budget plus two years outlook, and a 10-Year Capital Budget and Plan. Furthermore, it is service and performance based by focusing budget decisions on service results and outcomes; links budgets to service plans; and engages stakeholders. The approved budget process also includes roles and responsibilities for the Budget Committee, Standing Committees and Executive Committee.

A key requirement of the approved budget process is that City Council sets goals for its term of office that provide context for priority setting and service planning. Service plans and service levels are then developed to reflect the needs of all stakeholders, including the public. It is noted that service planning is a key phase of the existing budget process. During this phase, service goals, objectives, priorities, service levels and performance metrics are established and / or confirmed by Standing Committees. The service plans become the foundation for developing the multi-year Operating and Capital Budgets.

2012 Budget Process and Schedule

As shown in the chart below, the 2012 Budget process is designed to obtain Council approval of both the 10-Year Capital Budget and Plan and the Operating Budget by January 19, 2012. While the timelines were very aggressive, every effort was been made to ensure that the key elements of a good budget process are maintained.


City Programs and ABCs
Budget Preparation
CM / CFO Review and Service Review
Staff Prepare Recommended Capital/ Operating Budget
Public Launch
Introduction Capital and Operating Budgets
Budget Committee
BC Review & Public Hearings
Executive Committee
BC Recommend Capital & Operating Submission to Council
CITY Council
Consideration & Adoption of Capital & Operating Budget
April – May
June – Oct.
Nov. 28
Dec. 2 – Jan. 9
Jan. 12
Jan 17 - 19

Key elements of the 2012 Budget Process are as follows:

November 28, 2011 – Public Launch

- City Manager and Chief Financial Officer present the 2012 Staff Recommended Operating Budget to Budget Committee.

December 2, 5, and 6, 2011 – Budget Review Meetings

- Budget Committee Hearings to brief Councillors and the Public on the Staff Recommended Budgets which launched the political review and public consultation process. This stage of the process includes the following:
  - The City Manager and Chief Financial Officer present the 2012 Staff Recommended Operating and Capital Budgets to the Budget Committee.
  - Division / Agency Heads presentation of programs/services, service levels / standards delivered; challenges/accomplishments and Staff Recommended Capital and Operating Budgets.
  - Budget Committee members and Councillors make requests for additional Program/Agency information.

December 7 and 8, 2011 – Public Deputations

- Public input/response to staff recommended budgets.
- Preparation of budget briefing notes and response to information requests.

December 9 and 13, 2011 – Budget Committee Wrap-up

- Budget Committee reviews briefing notes, responses to additional Program/Agency information requests, and budget options.
- Budget Committee makes decisions on what will constitute the 2012 BC Recommended Capital and Operating Budgets.

January 9, 2012 – Budget Committee Final Review

- Budget Committee finalizes its review and establishes its 2012 Operating and Capital Budgets to be considered by the Executive Committee.
- Staff prepares the Budget Committee Corporate Reports for the 2012 Capital and Operating Budgets.
- 2013 and 2014 Outlook and Long term Fiscal Plan Update

January 12 – Executive Committee Review

- Executive Committee receives and reviews the Budget Committee Recommended Capital and Operating Budgets.
- Executive Committee recommends its Capital and Operating Budgets to City Council.

January 17 - 19 – Council Review and Approval

- Council reviews and approves the 2012 Capital and Operating Budgets.

The dates outlined above are critical to ensure quality budget analysis, public engagement and approval of the 2012 Operating and Capital Budgets in the proposed timeframe.

2013 Budget and Beyond

The work completed during the Service Review Program for the 2012 Budget process set the foundation for establishing multi-year planning and service delivery. Service Planning will be introduced for the 2013 Financial Planning and Budgeting Process. The process will start in February 2012 with staff developing service plans based on the services and service levels approved during the 2012 Budget process. Effectively, the 2013 approved service plans will become rolling service plans that will require review and adjustments in subsequent years.

Throughout the process, Standing Committees will review service plans and engage the public during these reviews. They will establish multi-year service objectives, targets and associated priority actions and will forward these to the Budget Committee. Budget Committee will assess the Standing Committee recommended service priorities together with the financial outlook and circumstances of the City and recommend to Executive Committee service priorities, budget directions and fiscal targets. These recommended service priorities along with fiscal guidelines from the Budget Committee will be utilized by the Executive Committee to provide budget directions and guidelines in developing the 2013 Operating and Capital Budgets, which will be approved by December, 2012.

The Multi-Year Financial Planning and Budgeting Process will help the City meet its objectives in 2013 and beyond, and address its structural deficit with long-term solutions. The components of the Service Review Program have provided City staff with key information and future actions that will allow for more strategic budgeting approaches to multi-year service and financial planning that will assist the City in developing sustainable revenues, finding further efficiencies, improving the quality of services, and providing better value for money for Toronto residents. In particular, the efficiency targets set for 2013 and 2014 will help drive planning and budgeting for the balance of the term of Council.

Conclusion

In summary, the 2012 Operating Budget represents a major step towards moving the City to fiscal sustainability. The City has reduced the use of one-time surplus revenues by more than 75%, cutting it from $346 million in 2011 to $102 million in 2012.

The impact on services, while always difficult, are limited and broadly dispersed throughout the City. The vast majority of the City's core services remain in place.

In accordance with the City's long term fiscal plan, the 2012 Operating Budget includes moderate tax, TTC fare and user fee increases in line with inflation and provides improved financing for the City's Capital Plan.